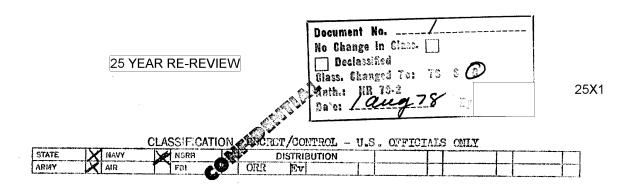
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- An analysis of the DDR centrally-controlled industries for the first half of 1950 indicates a number of serious problems in financial and economic work of the concerns. Swift counter measures are required.
- 2. The target plan is not being fulfilled by the centrally controlled industries. Profits totalling DM 405 million were realized an against the year's planned total of DM 1,004 million. Only 38.5 percent of the target plan was achievely while 47.7 percent of the gross production plan was attained during the same period.
- 3. The most unfavorable situation obtains in the Chief Administration for Machine Construction and Electrotechnics where 45 percent of the gross production and 31.1 percent of the target plan were attained in the first six months of the year. Corresponding figures in the Chief Administration for Light Industry are 52.2 percent and 38.7 percent and in the Food Supplies Industry, 35.8 percent and 16.4 percent.
- 4. The main reason for the non-fulfilment of the target plan is the failure to reduce the prime costs of production. The average reduction in the centrally controlled industry amounted to 3.7 percent against a planned estimate of 8.4 percent. The situation in individual branches of industry is indicated by the following figures:



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Reduction of actual costs in relation to 1949 (percentage)

De	esignation of
Hain	Administration

Nain Administration Estimate Result for p for 1950 January-June	
Power 5.4 12.0	AND THE PERSON NAMED IN COLUMN TO PERSON NAM
Coal 3.0 2.0	
Minerals and Ceramics 11.3 9.4	
Chemicals 10.0 4.3	
lietallurgy 12.0 9.0	•
Machine Construction and Electrotechnics 9.3 4.1	
Light Industry 11.4 2.4	
Food Industry 5.0 0.7	
Average 8.4 3.7	

Savings resulting from the reduction of prime costs amount in the first half of the year 1950 to DM 151 million; whereas the year's plan calls for a saving of DM 395 million. Farthest from the realization of the plan are the concerns in the light, food and machine construction industries. This situation arose as a result of underestimating the importance of reducing the prime costs of production. Even now the problems and procedures in connection with cost and accounting calculations have not been solved in the most important branches of production.

The main reason for the financial difficulties in the centrally controlled industries, the systematic failure to conform to budget payments and to pay the banks and contractors is the considerable excess of assets in the form of goods and materials. The planned level of material assets and cash amounted to Di 2,023 million; the actual amount as of 1 July 1950 was Di 2,554 million. Thus, the plan had been exceeded by DM 531 million. It should be emphasized that on 1 January 1950 the centrally controlled industries had a surplus of IN 3,14 million in excess of the ostimated level and, instead of reducing inventory assets during the first half year, actually increased them by Di 217 million.

The commodity and material assets valued at DE 2,533 million as of 1 July 1950, are balanced by the following:

		Hillion
Own funds	TE:	1342
Dank eredits	$\mathfrak{M}_{\mathbb{Z}}$	462.
Debts	DL1	330
Profits withheld for budget payment	DEI	145
Unexpended Directors funds (Direktorenfonds)	Dir	132
Tegeryes	17.	124
This adds up 181254 million M.		
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Thus, additional large funds were put in circulation as a result of industry's badly organized material economy. The unsatisfactory completion of requirements in relation to the reduction of prime costs is all the more unpermissable. According to these aspects of the Five Year Plan relative to reduction of prime costs, increased productivity, and general improvement in the quality of work, new demands are to be made on industry without which the completion of the Five Year Plan is impossible.	25 X 1

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